

## Article - Real Property

[\[Previous\]](#)[\[Next\]](#)

§11A–116.

(a) (1) In this section, “purchase money” includes any money, note, security, or other monetary consideration paid by a purchaser for a time–share.

(2) All purchase money received by or on behalf of a developer from a purchaser for the purchase or reservation of a time–share shall be deposited in an escrow account designated solely for that purpose with a financial institution whose accounts are insured by a government agency until the expiration of the time for cancellation or any later time provided in the contract.

(3) After the expiration of the cancellation period or that provided in the contract, if no notice of cancellation is received, such funds or instruments may be released as provided in subsection (b).

(b) Any purchase money received by or on behalf of a developer from purchasers of time–shares may be released to the developer, provided he maintains a surety bond for the benefit of each purchaser of a time–share, until the happening of the earlier of:

(1) The conveying of good and merchantable title to the time–share estate or the granting of an unencumbered right to use the time–share project pursuant to a time–share license;

(2) The return of the purchase money to the purchaser; or

(3) The forfeiture of the purchase money by the purchaser, under the terms of the contract.

(c) As used in this section the word “bond” includes a bond issued by a surety or a letter of credit issued by a financial institution acceptable to the Commission and in a form acceptable to the Commission.

(d) The bond may not be canceled by the surety until 30 days after the surety gives notice of cancellation to the Commission.

(e) The penalty of the bond shall be adjusted from time to time in accordance with the following schedule:

Total Amount of Purchase Money Held

Penalty of Bond

(1)	Zero to \$200,000	\$ 100,000
(2)	\$200,001 to \$500,000	200,000
(3)	\$500,001 to \$1,000,000	500,000
(4)	Over \$1,000,000	1,000,000

(f) (1) The amount of purchase money from sales of time—shares held at any one time by the time—share developer shall not exceed the amount for which the developer is bonded in accordance with the schedule set forth in this section.

(2) If a developer is required to be bonded with respect to more than one project that the developer owns or controls, directly or indirectly, the developer shall obtain a separate bond in the appropriate penalty amount for the purchase money held on each project which becomes registered with the Commission on or after July 1, 1987.

(g) A developer who fails to maintain an escrow account or a surety bond as required by this section shall be guilty of a misdemeanor and, upon conviction, shall be sentenced to pay a fine of not more than \$1,000 or to undergo imprisonment for a term of not more than 1 year, or both, for each violation.

(h) The requirements of this section may be waived by the Commission with respect to a time—share project located outside this State provided:

(1) Compliance and enforcement of the specific provisions are impractical or impossible;

(2) The laws of the state or country in which the time—share project is located require escrow or bonding protection for purchases of time—shares, and the developer has complied with such law; or

(3) Any other reason the Commission finds relevant to permitting an alternative arrangement.

(i) No claim shall be made for reimbursement from the Real Estate Guaranty Fund under Title 17, Subtitle 4 of the Business Occupations and Professions Article if the claim can be successfully maintained against the surety bond. Under no circumstances shall the surety be entitled to reimbursement from the Real Estate Guaranty Fund.

(j) A developer of a project located outside this State shall secure a bond only for the benefit of purchasers who are residents of this State or whose contract to purchase a time-share was negotiated or executed in whole or in part in this State.

(k) The insurance company or financial institution issuing a bond shall remain liable, after cancellation or termination of the bond, for any purchase money paid prior to the cancellation or termination.

(l) By the issuance of a bond, a foreign insurance company or financial institution shall be deemed to have consented to being sued in this State regarding any dispute or claim against the bond.

[\[Previous\]](#)[\[Next\]](#)